

The Appeal in *Optis v Apple*

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This was an appeal by Optis Cellular Technology LLC, Optis Wireless Technology LLC and Unwired Planet International Ltd. ("Optis") against a declaration by Mr Justice Marcus Smith on 16 Feb 2024 that a licence annexed to his order was [fair, reasonable and non-discriminatory \("FRAND"\)](#). The learned judge had granted the declaration following his judgments in [Optis Cellular Technology LLC and others v Apple Retail UK Ltd and others](#) [2023] EWHC 1095 (Ch) 10 May 2023 and [Optis Cellular Technology LLC and others v Apple Retail UK Ltd and others](#) : [2024] EWHC 197 (Ch) 14 Feb 2024. According to para [4] of Lord Justice Birss's judgment in [Optis Cellular Technology LLC and others v Apple Retail UK Ltd and others](#) [2025] EWCA Civ 552 (1 May 2025) Mr Justice Marcus Smith decided that the appropriate licence fee for the use by Apple Retail UK Ltd, Apple Distribution International Ltd and Apple Inc ("Apple") of Optis's standard essential patents ("SEPs") should be US\$56.43 million plus interest. Optis appealed on the ground *inter alia* that the sum was far too low. It contended that the consideration for a FRAND licence should be US\$7.4 billion.

Mr Justice Marcus Smith's Judgment

His lordship's judgment consists of 508 paragraphs divided into 6 parts and an annexe. Lord Justice Birss analysed it between paras [24] and [76] of his [own judgment](#). He summarized it at [25]:

"Introductory Part I deals with FRAND and the relevant legal principles. Part II identifies the parties and the issues. Part III deals with the proceedings and the evidence. It begins to describe problems the judge identifies with the accountancy expert evidence including unpacking and comparables. This part also addresses evidential difficulties relating to patent portfolios. A major part of the judgment is Part IV, in which findings on specific issues are made. Then at crucial Part V the FRAND question is answered, using the judge's own approach and then finally Part VI is a short section on disposition."

At para [22], Lord Justice Birss explained that Mr Justice Marcus Smith had rejected the evidence of both parties' accountancy experts and substituted his own approach to reaching a financial conclusion. He dismissed *unpacking* (that is to say, breaking down a lump sum licence fee into a dollar per unit or *ad valorem* rate) entirely. Instead, he manipulated the data in terms of lump

sums. Also, rather than identify the best comparables, he used an averaging approach. That approach and the reasons for it were at the heart of this appeal.

Grounds of Appeal

Mr Justice Marcus Smith refused permission to appeal. Optis applied for permission on 25 grounds, 11 of which related to valuation and 14 to other licence terms. Lord Justice Arnold gave Optis permission to appeal on all 25 grounds, though it abandoned grounds 15, 16, 19, 20 and 21 in its amended appellant's notice. Shortly before the hearing, Optis also gave up ground 18. Apple served a respondent's notice seeking to affirm Mr Justice Marcus Smith's order on 6 grounds.

Hearing the Appeal

The appeal was heard by Lords Justices Newey, Arnold and Birss between 25 Feb and 3 Mar 2025. Judgment was handed down on 1 May 2025. The main judgments were delivered by Lord Justice Birss and Lord Justice Arnold. Lord Justice Birss discussed the financial issues between para [1] and para [151]. He calculated the lump sum payment from 2013 to 2027 at US\$502 million. Lord Justice Arnold discussed the other terms between para [152] and para [261]. These included whether there should be a cut-off date for interest and whether licence terms and orders restricting Optis's access to foreign courts were FRAND and conformed to comity. Lord Justice Newey agreed with the judgments of Lords Justices Birss and Arnold at para [262].

Valuation

Optis's first ground of appeal was that Mr Justice Marcus Smith made a fundamental error by rejecting both experts' evidence and substituting his flawed approach. He also erred in rejecting the conventional comparables approach. Apple's respondent's notice supported the judge's approach but argued that his calculation had been too generous to Optis.

Expert Evidence

Lord Justice Birss first considered whether the judge had the right to reject the evidence of both accountants. Mr Justice Marcus Smith set out his reasons for rejecting their reasons in para [314] of his judgment. Lord Justice Birss considered those reasons between paras [86] and [96] and decided that the judge's rejection of the experts' evidence had been procedurally unfair, unsupported and inconsistent with the parties' common ground.

Judge's Approach

The learned Lord Justice considered Mr Justice Marcus Smith's approach between para [101] and para [115]. The judge had placed 19 roughly similar licences on a common scale and then took a simple average of the entries. Lord Justice Birss accepted that putting available licences on a common scale to evaluate them was entirely logical, but there was no precedent, basis in the evidence or principle for that approach. His lordship said at [115] that the right approach would have been to adopt a comparables-based approach in the sense of being one based on identifying the best comparable or comparables, excluding others and working from there. That

had been Optis's second ground of appeal. There was no justification for setting aside the common ground of experts, using lump sums and averaging or failing to take sales volumes into account, which disposed of the seventh and eighth grounds of appeal. It also meant that the ninth ground on apportioning the lump sum for past and future did not arise. The fifth ground on the inclusion of licences was not relied on.

Apple's Comparables

At para [417] of his judgment, Mr Justice Marcus Smith said that he had considerable reservations about the probative value of Opris's comparables, which he had explained in para [398 (iii)] and Section F of his judgment. He concluded at [418] that the Apple comparables were more reliable than the Optis comparables. In para [417 (iii) (a)] of his judgment, the learned judge opined that Apple negotiated in a “hard but fair” way, in accordance with their process driven methodology. Lord Justice Birss disagreed. He said at [122]:

"When it can do so, Apple's significant negotiating strength leads some parties to agree lower rates than would be agreed between a willing licensor/willing licensee. There is a degree of holdout involved."

It meant that the judge had been wrong to place weight on the values derived from the Apple licences as a whole because holdout had been involved. Lord Justice Birss allowed the appeal on this ground which had been the third ground of appeal..

Retrial

As Mr Justice Marcus Smith's judgment had been rejected on so many grounds, Lord Justice Birss considered ordering a retrial. He referred to [CPR 52.20 \(2\) \(c\)](#) and [Simetra Global Assets Ltd and another v Ikon Finance Ltd and others](#) [2019] EWCA Civ 1413 (9 Aug 2019) [2019] EWCA Civ 1413, [2019] 4 WLR 112 where the Court of Appeal ordered a retrial as the only just course describing it as a “serious step which must be regarded as a last resort”. Lord Justice Birss decided at [128] not to remit this case for retrial:

"Against the background I have described this court is in a position to reach a just conclusion on the FRAND rate starting from the position of identifying the potential comparables in issue and analysing them by putting them on a common scale of some kind by reference to the stack share under licence in each case, as determined by the Innography data. Expressed in this way, this is the core of the judge's approach below and to that extent it is not now criticised by either party (although Optis contends there is only one comparable - Google). The difference now is to adopt this approach using the DPU data produced by the experts, which the judge wrongly rejected. A convenient common scale to use for analysis is the rate in DPU which a given licence would imply pro rata for a licence of a 0.38% stack share. That 0.38% is the stack share applicable to a licence from Optis to Apple bearing in mind the recent Ericsson licence. The exercise is not as

complicated as it might seem. It will involve a broad axe - as it always would have done if the judgment had approached this matter the right way - but that arises in any event."

The Lump Sum

Lord Justice Birss reconsidered the expert evidence between [129] and [136]. Relying on the Apple data, the judge had calculated a licence fee of 1 or 2 cents per unit. Lord Justice Birss could see no justification when Ericsson, InterDigital, Nokia and Sisvel were able to license at

an appreciably higher rate. He found that the Google licence fee was too low, but the others were too high. The FRAND rate had to be somewhere in between. He concluded at [145] that 15¢ per Apple unit for Optis was FRAND. Taking account of Apple's past and projected sales up to 2027 and after making all appropriate adjustments, his lordship arrived at the lump sum of US\$502 million without interest, which I mentioned above.

Non-royalty Terms of the Licence Except for Foreign Proceedings

Following the trial, a further hearing before Mr Justice Marcus Smith and the exchange of written submissions, the parties produced a composite licence, some terms of which were agreed and others were not. The judge then circulated his own draft order annexing a licence settled by his lordship that bore little resemblance to the parties' composite licence. There was correspondence between the parties and the judge, and a short hearing on 13 Feb 2024 that resulted in the order in [*Optis Cellular Technology LLC and others v Apple Retail UK Ltd and others*](#) : [2024] EWHC 197 (Ch) 14 Feb 2024.

Optis objected to Mr Justice Marcus Smith's decision on the following grounds, which Lord Justice Arnold summarized at [161]:

".... the judge's approach to determining the non-royalty terms of the licence involved a misunderstanding of the court's role in declaring FRAND licence terms (ground 11), resulted in licence terms that did not constitute a commercial licence (ground 12), involved procedural unfairness (ground 13), wrongly gave Apple benefits for free (ground 14) and erred in principle with respect to the interest stop date (ground 17)."

Apple did not resist the setting aside of the judge's licence and restoring the composite draft. Except for ground 17, the remaining disputes were points of detail which involved no issue of principle and could be satisfactorily determined by the Court on paper following any further necessary brief written submissions.

As for the interest stop date, the judge had chosen 1 Jan 2023. Optis argued that that date was (i) arbitrary, (ii) unsupported by any reasoning in either the main judgment or the consequential judgment and (iii) contrary to the principle that the purpose of an award of interest is to compensate the recipient for being kept out of money to which it is entitled. Also, the Court of

Appeal had already decided the point in [InterDigital Technology Corp v Lenovo Group Ltd](#) [2024] EWCA Civ 743, [2024] RPC 24 at [213]-[216]. Optis contended that Apple should pay interest until the date it receives payment or, to the extent that money was paid into court, the date of that payment in. As Apple had little to say in response to Optis's arguments, Lord Justice Arnold allowed Optis's appeal.

As for the remaining terms, his lordship invited the parties to attempt to reach agreement on the outstanding matters with respect to the composite draft within 7 days after judgment was handed down, If not, the Court will decide them on paper on the basis of brief written submissions to be filed within 14 days after judgment is handed down.

Order Limiting Foreign Proceedings

On the day that Optis issued proceedings against Apple in the Patents Court, it brought parallel proceedings on the corresponding patents in the [United States District Court for the Eastern District of Texas](#). In that action, Optis obtained two judgments in their favour, although one was vacated. Lord Justice Arnold chronicled the litigation in the two courts between para [169] and para [211]. In para 6 (2) of his order of 16 Feb 2024, Mr Justice Marcus Smith ordered:

“Pending the entry into force of the Court-Determined Licence pursuant to the Optis Undertaking:
(i) Each of Optis and Apple are obliged to do nothing inconsistent with or prejudicial to the future operation of the Court-Determined Licence.
(ii) Each of Optis and Apple may apply to this Court (reserved to Marcus Smith J or, if unavailable the Judge in Charge of the Patents Court ...) on seven days’ notice for direction as to whether a proposed course of conduct is permitted under paragraph 6(2)(i) above.
(iii) Each of Optis and Apple may apply to this Court (reserved to Marcus Smith J or, if unavailable the Judge in Charge of the Patents Court ...) for any order appropriate to maintaining and/or preserving the effective future operation of the Court-Determined Licence.”

The "Optus Undertaking" was to enter into a licence agreement with implementors of its SEP on FRAND terms.

Ground 22 of Optis's appellant's notice was that the above provision was

"procedurally unfair because it was not sought by either party, nor was it the subject of argument between the parties. Optis argues that this order is particularly unfair because in substance it is an interim anti-suit injunction ('ASI') which Apple had not applied for and in support of which Apple gave no cross-undertaking in damages" (para [234] of Lord Justice Arnold's judgment).

Lord Justice Arnold found Optis's complaint about the procedure adopted by the judge was justified.

Licence Terms Restricting the Texas Proceedings

Mr Justice Marcus Smith's licence contained the following provisions:

"5 Optis

.....

Subject always to paragraph 6 of the Order, agrees, in relation to the Portfolio, not to sue Apple Covered Parties and/or not to proceed with or take any steps in relation to litigation and/or not to

enforce any order (save as regards any order as to costs made against Apple by a competent court in any jurisdiction) in relation to the Portfolio in any jurisdiction in respect of all products, services and components manufactured or supplied, or to be manufactured or supplied, by or for Apple."

.....

7. For the avoidance of doubt, this Court-Determined Licence is intended (amongst other things) to carry into effect the approach set out in paragraphs 503 to 505 of the Trial E Judgment. It is recognised that unforeseen circumstances may require litigation in relation to the Portfolio, in which case

- (i) The parties should seek to reach agreement as to the prosecution of this litigation, failing which
- (ii) The parties should apply to the Court under the Order."

Ground 23 of Optis's appellant's notice challenged those provisions on the ground that the judge should not have imposed licence terms interfering with foreign proceedings, in particular the Texas proceedings and more particularly the judgment therein, since that was (i) not FRAND and (ii) contrary to comity. Ground 24 was that the judge should not have imposed terms of his order interfering with the Texas proceedings for the same reasons. Lord Justice Arnold allowed the appeal on both grounds.

Comment

As FRAND licences are intended to strike a balance between the interests of patentees and implementers, a former President of the Competition Appeal Tribunal should be ideally placed to decide the terms of such a licence. That is not how it worked out. Optis applied for permission to appeal from a very detailed and carefully crafted judgment on no less than 25 grounds. Lord Justice Arnold on all those grounds.

Part of the problem was that the judge dispensed with both sides' expert evidence and substituted his own methodology. As he will have heard a lot of forensic accountants and perhaps even acquired some specialist knowledge through his years at the CAT, that may not be so outlandish as it sounds. Similarly, he ignored a composite licence that had been produced by both sides and substituted his own, which may have been for the same reason.

The judgment also considers the circumstances in which a new trial may be ordered. Lord Justice Birss considered that it was very much a last resort. In this case, their lordships had enough material from the experts to substitute their own judgment.